

Nothing Ventured, No Capital Gained

subhead: *Venture Capitalists Help Drive the Economy*

Most mature, successful companies are able to raise capital when needed by selling shares of the company to the public. It's a reliable form of funding that, when all goes well, pays long-term benefits to both investors and companies.

But that's not how most companies get their start.

Companies usually begin with little more than a dream: a concept, an idea, or an invention. An entrepreneur with a vision often founds a company on little more than hope. And while hope and inspiration certainly have their place in the world of business, they can't carry the day. It takes cold, hard cash to grow a concept into a company. It takes funds to transform a dream into reality.

Long before a seedling company becomes mature enough to successfully sell shares to the public, an alternative source of funding is needed. And that's where venture capitalists often step in.

An Adventurous Venture

While investing in young companies might be considered to be an adventure, the term 'venture capital' refers to investments in new ventures. One hundred years ago most venture capital came from just a few wealthy families like the Rockefellers.

But over time, the 'adventurous venture' of investing in struggling but promising companies has become more mainstream. Today, investors that wish to participate in VC investments often do so through managed venture capital funds.

Helping Little Companies Become Big Companies is Big Business

Venture capitalists have a huge impact upon the world of commerce. On average, venture capitalists invest more than \$20 billion into approximately 3,700 United States companies every year.

2.7% of that money is invested in seed stage companies. But the bulk of venture capitalist funds are invested in companies that have progressed beyond the seed stage, but haven't yet matured to the point of being able to sell public shares.

The average size of venture capitalist funds granted to companies varies based upon the stage of growth of the company, as follows:

- Seed Stage Companies (7% of VC deals): Average VC funding of \$2,645,379.20
- Early Stage Companies (44% of VC deals): Average VC funding of \$4,781,354.58
- Expansion Stage Companies (26% of VC deals): Average VC funding of \$9,805,542.89
- Later Stage Companies (22% of VC deals): Average VC funding of \$10,354,341.33

Venture Capitalist Funding is Nation-Wide and Industry-Wide

Venture capitalists can be found in just about every state in the nation. But the top 5 states in terms of average VC funding are:

- California
- Massachusetts
- New York
- Washington
- Texas

California easily leads the pack, generating more than \$14 billion in VC funding each year - more than 4 times that of the next closest state in VC funding, Massachusetts.

And venture capitalists help to fund companies across a broad spectrum of industries. But more than half of all venture capitalist funding is invested across just four industries:

1. Software - 31.2% of venture capitalist funding
2. Biotechnology - 15.6% of venture capitalist funding
3. Industrial/Energy - 10.4% of venture capitalist funding
4. Medical Devices and Equipment - 9.2% of venture capitalist funding

Though the flat economy has had an impact on the amount of venture capitalist funding available in recent years, the industries of retailing and software have experienced increases in VC funding in both 2011 and 2012.

The World Would be a Poorer Place Without Venture Capitalists

Venture capitalists provide a sorely needed bridge between startup funding and public funding. Many of today's most successful and profitable companies have survived and thrived because of the life-giving infusions of cash provided by venture capitalists.

Venture capitalists have had such an impact upon the world of business that recent studies estimate more than a fifth of the United States gross domestic

product is provided by companies that were helped to maturity by VC funding. That accounts for more than 3 trillion in revenue, and nearly 12 million jobs in the United States.

For both investors and struggling companies, venture capitalism has provided profit and growth; a real-world example of the old saying: nothing ventured, nothing gained.